



COLORADO

Department of Personnel
& Administration

Department of Revenue Tax Pipeline Appropriation
FY 2019-20 Request

Background

- The Department of Revenue (DOR) and the Department of Personnel & Administration (DPA) Integrated Documents Solutions (IDS) have collaborated on the development and implementation of the Tax Pipeline process with the project becoming operational in FY 2014-15.
- Increases in common policy allocations and total compensation are centrally determined and non-negotiable, but rates must be set to cover all costs.
- IDS' Document Solution Group (DSG) employs an expense pooling methodology for all services it offers. DSG has two major customers, DOR and Secretary of State (SOS). Changes in either of these customer's share of volume affects the way expenses are allocated to services provided for each customer. In FY 2018-19 SOS' volumes drastically increased leading to reduced costs for DOR. Without the election year anomaly causing a change in volume DSG would have charged DOR \$682,513 more than their appropriation in FY 2018-19.
- The combination of volumes returning to normal, across the board salary increases, and overhead increases have led to FY 2019-20 estimated Tax Pipeline expenses that are \$932,415 greater than DOR's current Document Management line item appropriation.
- Due to the change in the cost pool percentages for DOR and SOS, and an increase in total expenses, the Department is requesting a General Fund increase of \$932,415 in FY 2019-20 and ongoing on behalf of DOR for its (3) Taxation Business Group, (C) Taxpayer Service Division, Document Management line item.

Integrated Documents Solutions Rate Setting Methodology

- IDS employs a rate setting methodology for all services that it provides. This previously vetted methodology allocates operating and labor expenses based on which program incurs them, and allocates departmental overheads, such as payments for common policies, to programs based on FTE. Recently, common policy allocations have been increasing drastically. IDS is statutorily obligated to cover costs with its rates, therefore these common policy increases have driven up costs for all of IDS' services.

Tax Pipeline Process Allocated Expense Increases

- Total expenses allocated to the rates for the Tax Pipeline Process have increased by 16% from FY 2018-19 to FY 2019-20. Had volumes remained at their historical levels in FY 2018-19 expenses allocated to the rates for the Tax Pipeline Process would only be increasing by 5%. The following table details the increase from FY 2018-19 to FY 2019-20.

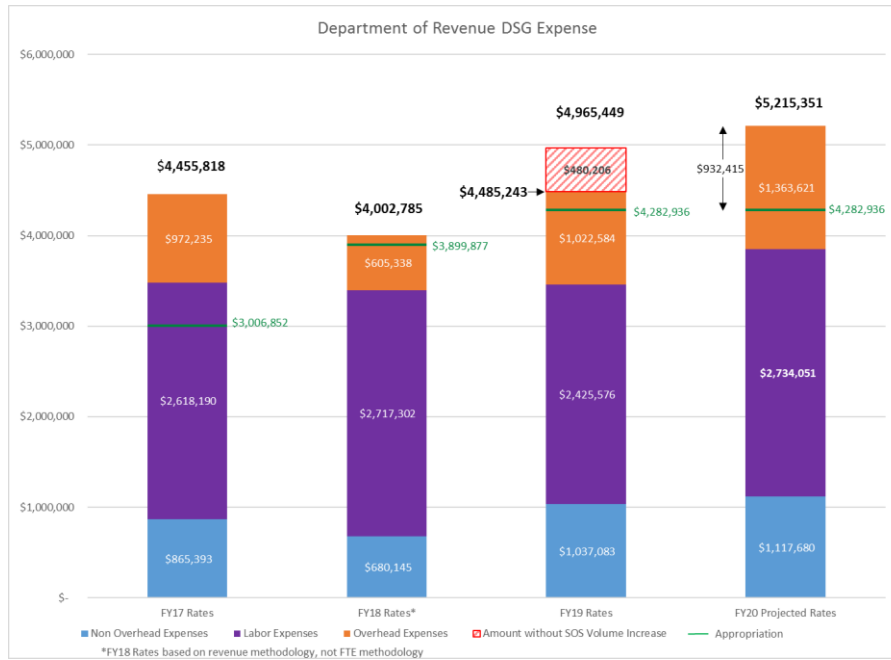
Expense Component	FY 2018-19 Expense	FY 2019-20 Projected Expense	Dollar Increase	Percent Increase
DCS Admin Loaded Salary	\$ 150,237	\$ 183,075	\$ 32,838	22%
Central HRU Personnel	\$ 57,617	\$ 68,466	\$ 10,850	19%
Payments to OIT	\$ 354,166	\$ 479,330	\$ 125,164	35%
Workers' Comp	\$ 26,437	\$ 32,986	\$ 6,549	25%
Risk Mgmt.	\$ 114,437	\$ 142,786	\$ 28,349	25%
CORE Operations	\$ 30,387	\$ 37,914	\$ 7,527	25%
Indirect Cost Assessment	\$ 88,379	\$ 105,021	\$ 16,642	19%
PERA Direct Distribution	\$ -	\$ 63,861	\$ 63,861	N/A
Leased Space	\$ 188,379	\$ 235,045	\$ 46,666	25%
DCS Operating	\$ 7,354	\$ 8,739	\$ 1,385	19%
CCLS	\$ 3,361	\$ 4,113	\$ 753	22%
Legal Services	\$ 1,831	\$ 2,284	\$ 454	25%
Overhead Expense Subtotal	\$1,022,584	\$ 1,363,621	\$ 341,037	33%
Labor Expenses	\$2,425,576	\$ 2,734,051	\$ 308,475	13%
Operating Expenses	\$1,037,083	\$ 1,117,680	\$ 80,597	8%
Total Expenses	\$4,485,243	\$ 5,215,351	\$ 730,108	16%
Appropriation	\$4,282,936	\$ 4,282,936		
Expenses in Excess Of Appropriation	\$ 202,307	\$ 932,415		

Consequences of Problem

- If DOR's Document Management line is not increased they will not be able to pay for the Tax Pipeline services that DSG provides. If DOR is not able to pay in full for IDS' services the Central Service Revolving Fund will be negative by the end of FY 2019-20.
- Common policy allocations and salary survey increases are centrally set and all departments are required to contribute their determined amount. IDS must include these expenses in their rate setting process and it is therefore likely that DOR's appropriation will need to increase in the future to stay in line with increases in IDS rates.

DOR Expense Charts

- The following chart details the total increases in expenses that are allocated to the rates for the Pipeline Process:



- The following chart details the increases in overhead expenses that are allocated to the rates for the Pipeline Process:

